

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID 2020 RENEWABLE ENERGY : **DOCKET NO. 5039**
GROWTH PROGRAM FACTOR FILING :

REPORT AND ORDER

I. Introduction

On June 30, 2020, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (Commission) proposed Renewable Energy Growth (RE Growth) Program factors and RE Growth Program Reconciliation factors (reconciliation factors) for effect October 1, 2020.¹

The proposed program factors were based on an estimate of costs for the 2020 program year which commences on April 1, 2020 and continues through March 31, 2021. The proposed reconciliation factors were based on the actual costs for the program year, April 1, 2019 through March 31, 2020, plus carryover costs from prior years. The program factors and reconciliation factors are fixed monthly charges that vary by rate class and appear together as a single separate line item on customer bills.

On August 20, 2020, the Division of Public Utilities and Carriers' (Division) filed a memorandum which reviewed the filing and concluded that the proposed program recovery factors and reconciliation factors were correctly calculated and were in accordance with law and the approved tariff. The Division further recommended that the Commission approve all the proposed factors, for an effective date of October 1, 2020.² At an Open Meeting held on September 29, 2020, the PUC ordered a \$171,497 downward adjustment to the proposed revenue requirement

¹ National Grid's 2020 Renewable Energy Growth Factor Filing (June 30, 2020);

[http://www.ripuc.ri.gov/eventsactions/docket/5039-NGrid-2020REGrowth%20Factor%20Filing\(6-30-20\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/5039-NGrid-2020REGrowth%20Factor%20Filing(6-30-20).pdf).

² Division's Memorandum (Aug. 20, 2020); <http://www.ripuc.ri.gov/eventsactions/docket/5039-DIV-Memo%208-19-20.pdf>.

and indicated it would continue to review the reasonableness of the costs associated with billing system modifications related to the RE Growth Program.

II. National Grid's Filing

In support of the factors, National Grid submitted the joint testimony of Robin E. Pieri, Senior Analyst for Electric Pricing, New England, and Kathleen M. Hammer, Lead Analyst of New England Revenue Requirements in Regulation and Strategy. Their testimony presented the Company's estimate of the incremental cost subject to recovery for the period April 2020 through March 2021 to administer the RE Growth program and the calculations of the proposed RE Growth program factors designed to recover that cost. The filing also presented the reconciliation of revenue to actual costs for the prior program years.

A. Renewable Energy Growth Program

The RE Growth tariff provides for the recovery of incremental costs associated with the RE Growth Program from all retail delivery customers through a fixed monthly service charge. The Company is required to purchase the output generated by qualified Distributed Generation projects and compensate program participants in the form of Performance Based Incentives (PBI). The program participants assign all energy, capacity and Renewable Energy Certificates (RECs) to the Company. The Company sells the generated energy. The Company may also sell the RECs, or they may be used to satisfy the Company's Renewable Energy Standard compliance obligations. The Company may also bid eligible RE Growth projects into the Independent System Operator-New England's Forward Capacity Market (FCM) with customers receiving 90% of the proceeds and National Grid receiving 10%. The proceeds from the sale of the energy, the RECs, and the customer's share of FCM proceeds are used to offset the costs of the RE Growth Program.³

1. Estimated Costs for the 2020 RE Growth Program

³ Joint Test. at Sched. NG-2.

The Company projected net expense for the 2020 program year totaling \$21,643,751.⁴ Approximately \$28.2 million of this total is the PBI. From this is deducted the estimated value of the market products of \$8.3 million, and the customers' share of Forward Capacity Market proceeds of \$46,980. Another \$1.8 million was estimated administrative expenses, including: incremental costs associated with billing system changes; metering costs for small-scale solar projects; consultant costs incurred by the Company or Office of Energy Resources (OER); and the Company's administrative costs for participating in the FCM.⁵

2. Calculation of 2020 Rate Class RE Growth Factors.

The estimated expense for the 2020 program year is allocated to each rate class based on a rate base allocator developed from the allocated cost of service study approved in the PUC's Order No. 23823 in Docket No. 4770.⁶ The allocated amount for each rate class is divided by the forecasted number of bills during the period of October 2020 through September 2021 to determine the monthly charge for each rate class. The result is further adjusted to include an uncollectible factor of 1.3%.⁷

B. Reconciliation & Proposed Factors

The Company is required to annually reconcile RE Growth program revenue and costs. The excess or deficiency after reconciliation, including interest at the Company's short-term interest rate, is credited to or recovered from all customers through the RE Growth reconciliation factors. For billing purposes, the reconciliation factors for 2020 are included with the 2020 program factors on a single line item of the customers' bills.⁸

⁴ Joint Test. at 10-1; Sched. NG-2 at 2.

⁵ Joint Test. at 12-13.

⁶ PUC Order 23823, Docket No. 4770; [http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20\(5-5-20\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20(5-5-20).pdf).

⁷ Sch. NG-2 at 1.

⁸ *Id.* at 20.

The 2020 RE Growth program reconciliation summary⁹ showed actual and estimated revenue of \$20,525,909, total costs of \$19,859,865,¹⁰ forfeited performance guarantee deposits credited to customers of \$265,900, for an under-recovery of \$942,918, including interest. The summary also reflected a remaining under-recovery from Program Year 2017 of \$68,427. The total under-recovery of the combined reconciliation was \$1,011,345.¹¹

The calculation of reconciliation factors for each rate class followed the same steps as the calculation of the 2020 program factors, including the allocation to rate classes based on a rate base allocator and the adjustment for uncollectibles.¹²

III. Division of Public Utilities and Carriers

On August 20, 2020, the Division of Public Utilities and Carriers' (Division) filed a memorandum authored by Joel Munoz, Division Rate Analyst, that reviewed the filing and concluded that the proposed program recovery factors and reconciliation factors were correctly calculated and are in accordance with the statute and approved tariff.

IV. Hearing and Commission's Decision

On September 16, 2020, the Commission conducted an evidentiary hearing to review the propriety of National Grid's proposal.¹³ National Grid presented Ms. Hammer, Ms. Pieri, Donald Kirley, Manager in the billing project management department, and Rocco Lattanzio, an Analyst in the billing project management department, while the Division presented Joel Munoz. Mr. Kirley and Mr. Lattanzio prepared responses to Commission data requests addressing billing system modifications to administer the RE Growth Program.

⁹ Sch. NG-3.

¹⁰ Sch. NG-3.

¹¹ Joint Test. at Sch. NG-3 at 1, Section 1.

¹² Joint Test at Sch. NG-3 at 1, Section 2.

¹³ At the hearing, the Commission approved National Grid's request to protect from public disclosure customer account numbers provided in Attachment 2-2-2 of the Company's response to PUC 2-2. This information is typically considered commercially sensitive customer information and could harm customers if released to the public. See R.I. Gen. Laws §38-2-2(b)(II)(B).

Ms. Pieri confirmed that while responding to Commission-issued discovery, the Company identified \$162,267 of billing system modification costs in the RE Growth Program cost estimate that had already been included in base rate recovery.¹⁴ Therefore, she confirmed that National Grid would have no objection reducing the factor to reflect removal of those costs.¹⁵ Next, she confirmed that \$7,086 of billing system costs associated with community remote net metering were inadvertently charged to the RE Growth Program and should be removed from the calculation of the factor with interest.¹⁶ After Mr. Kirley clarified that one of the billing implementation support positions allocated to the RE Growth Program was an independent contractor, he also agreed that the amount allocated was higher than the hourly charge multiplied by the estimated hours expected to be billed.¹⁷ Mr. Munoz testified that the Division believed it would be reasonable to make these adjustments.¹⁸

The remainder of the hearing was primarily focused on billing system modifications to automate the administration of the RE Growth Program over the years. Mr. Lattanzio explained that one of the primary drivers of the billing system modifications is the timing of program rules. There are different paths projects can take to receive compensation under the RE Growth Program and they were not all included in the first iteration of the legislation creating the program. Therefore, the Company designed and either implemented, or is planning to implement billing system modifications for each particular path. He explained that even though the Company had designed billing system modifications for net metering and public entity net metering previously, the programs are different enough that additional modifications needed to be made for the RE Growth Program. Mr. Kirley added that each of the programs require multiple customer

¹⁴ National Grid's Response to PUC 2-1.

¹⁵ Hr'g. Tr. at 18-19 (Sept. 16, 2020).

¹⁶ *Id.* at 21.

¹⁷ *Id.* at 22-27.

¹⁸ *Id.* at 104.

information platforms to work together. Mr. Lattanzio explained that once rules are designed in the billing system to apply certain types of bill credits, that logic can be used for future similar processes, but that there are still enough nuances that additional modifications within the RE Growth Program will be required.¹⁹

To address the question of the justification for investing in billing system modifications to automate the crediting processes where, during discovery, the Company revealed long payback periods in some cases, the Company presented Ian Springsteel, Director of Regulatory Strategy. Mr. Springsteel explained that he had made the recommendation to automate the billing system as soon as possible for CRDG in order to avoid errors associated with manual billing. However, the billing system operations team had delayed automation because few systems were online and investments in other billing systems needed to take priority.²⁰ Mr. Kirley explained that the billing system investment decision for CRDG will take into account the investment cost, the volume of customers enrolled in that path of the program, the annual cost of manual billing, and other billing system investment projects.²¹ He indicated that if the Company were implementing an overhaul to the billing system in the near future, that would be considered, but without a firm order that this would be occurring, it is given little value.²²

At an Open Meeting held on September 29, 2020, the PUC reviewed the record and approved the proposed 2020 RE Growth Factors as modified by removing \$162,267 of the costs included in the June 30, 2020 filing that are already being recovered in base rates; removing \$7,086 plus interest for Community Net Metering OPEX that was inadvertently added to Shared Solar OPEX and included for recovery through the RE Growth Factor Filing; and removing \$2,144 to

¹⁹ *Id.* at 28-29, 32-41, 71-72.

²⁰ *Id.* at 60-61.

²¹ *Id.* at 63-64.

²² *Id.* at 67.

calculate a more precise allowance for the Billing Implementation Support Contractor. The approval was subject to further review of the recovery of costs associated with the billing system modifications.

The Commission clarified that it was not making any findings associated with National Grid's right to recover costs associated with billing adjustments. While there was a coherent explanation for why National Grid has needed to make billing system modifications each time there is a change to the RE Growth Program allowing for additional crediting pathways, if they expect to automate the administration, there was an inadequate explanation as to why automating the processes was a cost-effective decision in each instance. The allowance in rates of automatic recovery of administrative costs does not remove the requirement that those costs be prudently incurred. Incurring a cost that has a payback period beyond either the life of the program or a planned billing system upgrade may not be prudent. R.I. Gen. Laws § 39-26.6-13 makes clear that the Commission retains its full authority over the prudence of costs incurred by National Grid to administer the RE Growth Program. Therefore, the Commission will continue to review the prudence of the billing system adjustments.²³

National Grid has not yet sought cost recovery for billing system modifications to automate the community remote distributed generation (CRDG) path of RE Growth. The administrative costs for CRDG are currently for manual billing. Mr. Kirley testified that in the January to March 2021 timeframe, the Company would be discussing whether to make those investments, with a decision being made in April 2021. He agreed it would be appropriate to review the status of that

²³ As is ordinarily the case when the utility is seeking a rate change based on a reconciliation of actual costs to revenue under a rate reconciliation tariff (to be distinguished from a rate case seeking to change base distribution rates), the Commission's decision here to allow a pass-through of the costs associated with billing system modifications shall not be construed as a finding that the cost incurrence either meets or fails to meet the standards of prudence for recovery. Absent a definitive finding expressed in an order, when a cost recovery is allowed pursuant to an annual reconciliation, the Commission always reserves its authority to more granularly review the prudence of Company investments if and when a question regarding the reasonableness of the cost incurrence arises, even if at a later date in any subsequent proceeding to which the costs may relate.

planning as part of the 2022 RE Growth Program review.²⁴ Thus, in its 2022 RE Growth Tariff filing, National Grid should provide information on whether it plans to invest in those billing system upgrades with the justification for automating the system.

On September 30, 2020, National Grid submitted compliance filings that were approved at an October 7, 2020 Open Meeting as being consistent with the Commission's September 29, 2020 filing.

Accordingly, it is hereby

(23936) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's 2020 RE Growth Factors shall be modified by removing \$162,267 of the costs included in the June 30, 2020 filing that are already being recovered in base rates; removing \$7,086 plus interest for Community Net Metering OPEX that was inadvertently added to Shared Solar OPEX and included for recovery through the RE Growth Factor Filing; and removing \$2,144 to calculate a more precise allowance for the Billing Implementation Support Contractor.
2. The Narragansett Electric Company d/b/a National Grid's compliance filing made on September 30, 2020, including the revised tariffs, is hereby approved for effect October 1, 2020.
3. The reasonableness of the costs associated with billing system modifications related to the RE Growth Program is subject to further review.
4. The Narragansett Electric Company's request to protect Attachment 2-2-2 to its response to PUC 2-2 from public disclosure is hereby approved.

²⁴ *Id.* at 62-65.

5. As part of its 2021 Renewable Energy Growth Program Tariff filing, The Narragansett Electric Company d/b/a National Grid should provide information on whether it plans to invest in those billing system upgrades with the justification for automating the system.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2020 PURSUANT TO OPEN MEETING DECISIONS ON SEPTEMBER 29, 2020 AND OCTOBER 7, 2020. WRITTEN ORDER ISSUED OCTOBER 29, 2020.

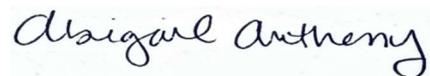
PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairperson



Marion S. Gold, Commissioner



Abigail Anthony, Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.